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Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Friday March 25, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Friday March 25, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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EGYPT: Fahmi Speech

25X1 [ ] Egyptian Foreign Minister Fahmi has told some Egyptian legislators that recent public statements by President Carter and General Secretary Brezhnev are:

--Evidence of the success of Egypt's diplomacy.

--An improvement over the previous static situation.

--A sign that both leaders are dealing personally with the Middle East.

--A guarantee that there will be movement on Middle East problems because each statement requires the other major power to react.

25X1 [ ] Fahmi said it is clear that President Carter's remarks on borders and on a Palestinian homeland are trial balloons--parts of which are not acceptable to Egypt. The US statements, according to Fahmi, prompted Brezhnev to express Soviet views about a solution. Fahmi indicated that Egypt's diplomacy has sought to produce such exchanges.

25X1 [ ] Fahmi termed Brezhnev's statement timely and positive for Egypt. President Sadat said on Tuesday it showed moderation, although it offered no significant change in the Soviet position. Fahmi told the legislators that he hoped President Carter would reply to Brezhnev.

25X1 [ ] On the substance of a settlement, Fahmi also vigorously reasserted Egypt's position that "there will be no negotiations over an inch of territory, and there can be no solution without an independent national entity for the Palestinians." Negotiations, he said, must begin with the Palestinian problem. He made clear that only settlement of this issue would eliminate the reason for war.

25X1 [ ] Fahmi's presentation partly reflects pressures within Egypt and the Arab world for the Egyptian government to show

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that its diplomatic initiatives are producing results. At the same time, Egyptian leaders probably also believe developments are moving in the right direction.

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[redacted] The danger is that in the months ahead the pressures will gradually push Egyptian rhetoric well beyond what is justified by developments, raising unwarranted popular--and official--expectations regarding a settlement. Egyptian leaders and populace went through a similar period of escalating expectation and subsequent disillusionment in 1972 and 1973. [redacted]

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NORTH YEMEN: Red Sea Leaders Meet

[ ] The presidents of Sudan, Somalia, and North and South Yemen ended their summit meeting Wednesday without achieving any major results. They agreed to invite all Red Sea littoral states to a conference on making the Red Sea a zone of peace and to prepare for joint exploitation of the sea's resources.

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[ ] The significance of the summit is that it was held at all, and especially so soon after Cuban President Castro's apparently unsuccessful visit to Somalia and South Yemen.

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[ ] The summit is part of a broader effort by moderate Arab leaders to bring Somalia and South Yemen into the mainstream of Arab politics and to wean them from their close ties with the Soviets. The summit, which was personally promoted by Sudanese President Numayri, was apparently conceived during the meeting of Egyptian President Sadat, Syrian President Asad, and Numayri in Khartoum in late February. Saudi Arabia undoubtedly supports Numayri's efforts and is likely to provide financial aid to Somalia, as it already is doing for South Yemen.

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[ ] President Ali's attendance at Taiz serves to buttress his efforts to improve South Yemen's image among its more moderate neighbors. Ali invited United Arab Emirate President Zayid to Aden last week, immediately following Zayid's four-day visit in North Yemen.

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[ ] Zayid's trip to Aden is apparently the first by an Arab chief of state and appears to have gone well. Zayid emphasized the importance of Islamic religious values for Arab leaders by visiting several mosques for his daily prayers. A member of his delegation commented that this had required his socialist hosts to do more public praying in two days than they had probably done in years.

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[ ] Both Zayid and Numayri--who visited Oman before going to Somalia and South Yemen--undoubtedly urged President Ali to moderate South Yemeni hostility towards Oman. [ ]

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#### USSR: Food Shortages Continue

[ ] Unusual food shortages, mainly of meat and vegetables, including potatoes, continue in some rural areas and many cities of the USSR. Although the situation does not constitute a political danger to the regime, the shortages have caused some unrest and even work stoppages.

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[ ] Acknowledging some difficulties in a major speech this week, General Secretary Brezhnev said that increasing meat output and ensuring an uninterrupted supply of quality food to the population is of "special importance."

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[ ] The overall food situation is difficult to assess from the fragmentary evidence available, but shortages stemming in part from the disastrous 1975 harvest apparently have eased substantially only in major cities.

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[ ] The latest statistics show that the long anticipated upturn in meat production has not materialized, even though feedgrain from the record 1976 crop has been available for six months. A prominent Soviet agricultural economist told embassy officers early in March, in fact, that the meat situation would not return to normal for another six months.

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[ ] Combined January-February meat output was the lowest since 1970 and 16 percent below a year ago. Compared with early 1975--the most recent "normal" period--meat production was down by 25 percent in January and 13 percent in February.

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[ ] Following the 1975 harvest failure, the largest meat production gap occurred in July 1976, when output was 35 percent below the previous July despite a claimed record grain availability from the 1976 crop. We do not know all the reasons for the very slow recovery, but they include the rebuilding of herds depleted by distress slaughtering that began in the summer of 1975 and continued into early 1976, and the extensive slaughtering of underweight animals.

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[ ] The low January-February output suggests that total meat production for this year is not likely to reach the 1974-75 level. Meat production is subject to cyclical fluctuations, peaking in winter months and reaching a low point in the spring. Even if substantially more animals become available for slaughter later in the year, limited processing capacity and refrigeration facilities will hold down production.

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[ ] Despite meat and vegetable shortages, overall supplies of staple foods are adequate, especially in the large metropolitan areas. Prices on the free market, however, are higher. Winter is usually a difficult time for Soviet consumers because of problems in the generally inefficient distribution system. Recent public criticism of the rail transport sector indicates that these problems may have been worse than usual this year.

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[ ]  
USSR: Trade Deficit Cut

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[ ] The USSR's hard-currency trade deficit last year was \$4.9 billion, according to recent Soviet foreign trade statistics. This deficit is almost 25 percent lower than the \$6.4-billion deficit registered in 1975.

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[ ] The USSR reduced the deficit despite a substantial increase in grain imports from the West. The Soviets kept non-grain imports at or possibly below their 1975 levels while increasing hard-currency exports by 26 percent. In the last half of the year, imports of grain tapered off while export expansion continued; after running a \$3.3 billion hard-currency deficit in January-June, the USSR cut the July-December deficit to \$1.6 billion.

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25X1 [ ] The Soviets reduced their global trade deficit, including trade with communist and other countries under clearing agreements, by \$2.7 billion last year. Trade surpluses with clearing countries grew more than 40 percent to \$3.9 billion, resulting in a worldwide trade deficit of \$1 billion. [ ]

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TURKEY: Parliamentary Election

25X1 [ ] Turkey's two main political parties--Prime Minister Demirel's conservative Justice Party and the opposition Republican People's Party--have called for a parliamentary election in June, four months earlier than the constitutionally set deadline of October. The two parties together control enough votes to pass an early election bill, and an election will probably be held on June 5.

25X1 [ ] Each party is seeking a stronger national mandate, but it appears unlikely that the divided electorate will give either party a clear majority. The pattern of unstable coalitions, which dates back to the inconclusive parliamentary election in 1973, will probably continue.

25X1 [ ] Demirel's partner in the four-party governing coalition, the Islamic-traditionalist National Salvation Party, stands to lose votes and has denounced the call for an early election but will be unable to block the bill. It may, however, withdraw from the government in which case a caretaker government would be formed. Two other small parties in the coalition have recently indicated that they could accept an early election.

25X1 [ ] Demirel believes that his party's strength has peaked and that economic conditions will be more favorable in June than October. He has favored early elections for some time as a means of increasing his strength in parliament and reducing his reliance on his coalition partners. He hopes to pick up votes from his coalition partners.

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[ ] Opposition and Republican leader Ecevit's motivation is less clear, although he has evidently convinced himself that an early election will also be to his party's advantage. Ecevit also has become increasingly restive and is eager to take over the government again.

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[ ] No major policy decisions are likely during the pre-election period, nor during the weeks following the election when another coalition government will probably have to be put together. The new government, however, will be under pressure to act decisively once a coalition is formed. [ ]

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#### PAKISTAN: Riots

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[ ] The response to the opposition's call for a general strike in Pakistan tomorrow could be critical to the campaign to oust Prime Minister Bhutto. The opposition hopes to prevent convocation of the National Assembly by tying up transportation, but apparently has decided against a major demonstration in Islamabad.

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[ ] If Bhutto's opponents can show an increase in their popular support, the campaign will receive new impetus whether or not the assembly meets. If they are unable to do so, it might begin to die out, although an effort to give it new life by resorting to more violent tactics might be considered.

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[ ] Yesterday, the opposition formally rejected Bhutto's offer to hold discussions and asked the figure-head President to dismiss Bhutto. According to the opposition, Bhutto had offered substantial concessions, including 40 more of the 300 National Assembly seats, opposition control of the two provinces on the Afghan border, and the release of opposition leaders jailed for alleged secessionist plotting in 1975.

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[ ] This week in Karachi, demonstrations during breaks in the curfew have led only to scattered violence. In the Punjab, violent clashes between police and demonstrators have continued but do not seem to be significantly worse than they were a week ago.

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25X1 [ ] The US consulate in Karachi characterizes the situation there and in other cities in the Sind as the lull before the storm. The consulate in Lahore reports that the city is nervous and uncertain in anticipation of the general strike.

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ARGENTINA: Nuclear Energy

25X1 [ ] //Argentina's military government has accelerated work to develop a capability in all aspects of the nuclear fuel cycle in an effort to become independent of foreign suppliers and controls. Success will depend in the near term on the extent of foreign assistance obtainable. If Argentina can complete on schedule the construction of facilities now under way or planned, it could be independent of foreign suppliers by the mid-1980s.//

25X1 [ ] //Argentine officials would also like to establish the country as the Latin American leader in nuclear energy. Earlier this month, President Videla announced at the end of a state visit to Peru that Argentina would sell Peru a 10-megawatt nuclear research reactor; this would make Argentina the first third-world country to export nuclear equipment.//

25X1 [ ] Argentina should have no difficulty supplying Peru with a nuclear research reactor. The Argentine Nuclear Energy Commission has designed, engineered, and built four of its five research reactors. It is deeply involved in the construction of Argentina's second power reactor; the commission acts as the contractor under license to Atomic Energy of Canada, Ltd. The commission plans to handle most of the construction for Argentina's third power reactor, with Canada playing only a minor advisory role.

25X1 [ ] //Argentina's first nuclear power reactor--a 340-megawatt heavy-water reactor built by a West German firm--has been in operation at Atucha since 1974. Safeguard provisions governing the reactor have recently been extended for an unspecified period.//

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[REDACTED] //A second nuclear power station--a CANDU-type reactor with a capacity of 600 megawatts--is under construction at Embalse and is expected to be in operation by 1981. It is being supplied by Canada under International Atomic Energy Agency safeguards. A second CANDU reactor is planned for operation in 1985, also at Atucha.//

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